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FM AMEMBASSY KINGSTON
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INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHDG/AMEMBASSY SANTO DOMINGO
RUEHKG/AMEMBASSY KINGSTON
RUEHLO/AMEMBASSY LONDON 0056
RUEHOT/AMEMBASSY OTTAWA

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C O R R E C T E D C O P Y - ADDRESSEE ADDED - SANTO DOMINGO

SIPDIS
STATE FOR WHA/CAR (VDEPIRRO) (WSMITH) (JMACK-WILSON)
WHA/EPSC (MROONEY) (FCORNEILLE)
EEB/ESC/IEC (GGRiffin)
EEB/ESC/IEC/EPC (MMCMANUS)
INR/RES (RWARNER)
INR/I (SMCCORMICK)
SANTO DOMINGO FOR FCS AND FAS
TREASURY FOR ERIN NEPHEW
EXPORT IMPORT BANK FOR ANNETTE MARESH
USTDA FOR NATHAN YOUNG AND PATRICIA ARRIAGADA
OPIC FOR ALISON GERMAK

E.O. 12958: N/A
TAGS: [ECON](#) [EAID](#) [EFIN](#) [ETRD](#) [FAIR](#) [ENRG](#) [PREL](#) [XL](#) [JM](#)
SUBJECT: JAMAICA: OCTOBER ECONOMIC REVIEW

REF: KINGSTON 638

Summary

-- Air Jamaica agreed to pay USD 180,000 to resolve a civil action by the U.S. Attorney's office;

-- U.S. carrier JetBlue Airways initiated service between Kingston and JFK Airport in New York on October 30 and will add new routes in 2010;

-- National Commercial Bank (NCB) announced a new JD 1 billion (USD 11 million) loan fund with a concessionary interest rate of 9 percent targeting small and medium enterprise businesses;

-- The Economist Intelligence Unit reports Non Performing Loans are on the rise, but tourism arrivals have remained strong;

-- The island power provider Jamaica Public Service (JPS) Company announced that its efforts to halt electricity theft have saved six million kilowatts hours of electricity;

-- Emboffs attended a panel discussion on the potential for algae-to-energy as a feed stock for biofuels.

-- The Tax Administration Department ended its tax amnesty on October 31 and has stepped up enforcement measures against those who have evaded taxes or have outstanding tax bills. END SUMMARY

Aviation:

¶2. (U) The Dow Jones Newswires reported on October 8 that that Air Jamaica agreed to pay USD 180,000 to resolve a civil action by the U.S. Attorney's office in Brooklyn over maintenance issues that eventually led to an aircraft making an emergency landing at John F. Kennedy (JFK) International Airport in December 2001. The U.S. Attorney's office said in a statement that Air Jamaica agreed to undertake several measures to improve its safety program, including implementing a more rigorous method of tracking maintenance discrepancies, regular meetings with Federal Aviation Administration (FAA) officials, and improved internal auditing of maintenance matters. The case arose out of complaint that Air Jamaica, following the emergency landing, operated the aircraft with damaged parts on 58 commercial flights before making necessary repairs.

¶3. (U) U.S. carrier JetBlue Airways initiated service between Kingston and JFK Airport in New York on October 30. The new route adds to their existing service from Montego Bay to JFK. JetBlue intends to add new service from Orlando to Montego Bay in February 2010 as well as a Saturday only flight from Boston to Montego Bay in January 2010.

Banking and Finance

¶4. (U) The National Commercial Bank (NCB) announced that it has created a JD 1 billion (USD 11 million) loan fund with a concessionary interest rate of 9 percent. The loan fund is aimed at small and medium enterprise businesses, a segment of the economy that often faces costs of capital as high as 18 to 24 percent. Applications for the loan will open on November 1, 2009 and close April 2010. Sectors targeted are agriculture, manufacturing, women in business, and new business ventures.

The new facility received praise from Audley Shaw, Minister of Finance and the Public Service, who said in a press release on October 23 that "access to funding continues to pose tremendous challenges to persons wishing to operate small businesses." A similar initiative was announced recently by the Bank of Nova Scotia.

¶5. (U) Economist Intelligence Unit (EIU) reported on October 30 that there appears to be no recovery in sight for the Caribbean economy. The EIU reported that conditions may deteriorate further before they improve. In Jamaica credit trends are not improving, despite monetary policy loosening. Credit growth is still significantly below levels seen even in late 2008. This has led to a marked deterioration of prudential indicators; non-performing loans (NPLs) in Jamaica were up by over 96 percent year on year in June in nominal terms, and despite remaining relatively low at 4.2 percent of total loans, the NPL ratio has doubled since June 2008. In the positive side Jamaica bucked the regional trend by being the only country with an increase in stopover arrivals which were 3.4 percent higher year on year in the first half of 2009, mainly owing to a 25 percent year-on-year increase in Canadian tourists during the period. However, despite the uptick in arrivals, visitor expenditure has remained lower and the sector has continued to lay off workers.

Energy

¶6. (U) Radio Jamaica news reported on October 21 that JPS Company, the monopoly power provider, has embarked on an effort to reduce non-technical losses (theft) in major urban centers. The JPS's Special Anti-theft Task Force has uncovered approximately 9,300 cases of irregular electricity connections from March to September. The company says this has led to the recovery of six million kilowatt hours of electricity valued at USD 1.26 million over the seven month period. Electricity rates in Jamaica are some of the highest in the region at average of US32 cents per kilowatt hour. The average cost of electricity in US dollar terms has increased by 134 percent from 2003 to 2008.

¶7. (U) On 29 October, Emboffs attended a panel discussion on the potential for algae-to-energy as a feed stock for biofuels. The event was hosted by U.S. entity BioJam and included speakers from the University of Minnesota's Department of Bioproducts and Biosystems Engineering. Interest in algae-to-energy stems from its high growth rate and its potential for use in wastewater treatment. Several companies and labs in the U.S. have made inroads in algae for biofuels, but three principle hurdles to cost-effective commercialization remain: space-efficient growth and harvesting of

algae, selecting or engineering algae species with high enough oil content, and efficiently extracting oil from the algae cell. A collaboration between the University of Minnesota, University of West Indies Mona Campus, and the Jamaica National Water Commission proposes to begin investigating wastewater treatment and other applications of algae at wastewater treatment plants on the island. The National Water Commission spends 40 percent of its revenue on energy and is highly motivated to collaborate in-search of lower cost energy sources.

Tax Reform

¶8. (U) Viralee Latibaudiere, the Director General of the Tax Administration Department, announced it has compiled a list of USD 79.1 million in unpaid taxes. Speaking with Emboffs, Latibaudiere said the tax office is being more aggressive in stepping up enforcement measures and has been seizing property of those who owe back taxes. The tax administration has been receiving technical assistance in the area of tax reform from the U.S. Mission/USAID during the past 18 months. Latibaudiere said her office has targeted 12,000 people not on the tax roll in order to bring them into compliance; the focus has been on doctors, customs brokers, exporters, and entertainers. The tax office has held press events to announce the end of the tax amnesty (reftel A) which ended on October 31. Those that voluntarily came into compliance receive certain waivers on interest and penalties.

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